

Missouri Clean Water Commission Meeting
Echo Bluff State Park
34489 Echo Bluff Drive
Eminence, Missouri

October 5, 2016

Fiscal Year 2017 Clean Water State Revolving Fund Intended Use Plan

Issue: Fiscal Year 2017 Clean Water State Revolving Fund Intended Use Plan and Priority List Recommendation.

Background: The Draft Fiscal Year 2017 Clean Water State Revolving Fund Intended Use Plan and Priority List (IUP) was placed on public notice July 1, 2016. A public hearing was held before the Clean Water Commission on August 3, 2016 and the comment period subsequently closed on August 10, 2016.

Comments were received from the City of Springfield, Association of Missouri Cleanwater Agencies and the U.S. Environmental Protection Agency (EPA). A copy of the comments and the staff responses are attached.

A copy of the IUP is attached. A full color version is available at <http://dnr.mo.gov/env/wpp/srf/wastewater-assistance.htm>.

Several changes have been made to the project tables in the final IUP since the public notice version including:

- The Drexel project was moved from the Planning List to the Outstate Fundable List on page 23. The project has met the readiness to proceed criteria.
- Four projects were moved from the Sources and Uses of Funds table to the FY 17 Outstate Fundable List on page 23, because they were not expected to have binding commitments by this meeting and have reapplied for placement on the FY 17 IUP.
 - Carthage – WWTP Upgrades
 - Moscow Mills
 - Meadville
 - East Lynne
- Staff worked with MSD to move \$24 million from its Phase IV loan on the sources and uses (page 18) to MSD's Phase 4 project on the Carryover Fundable List (page 21).

The Sources and Uses of Funds table (page 17) revisions include:

- The Loan Repayment Fund (Balance in Fund 0602 as of December 31, 2015) was adjusted to reflect the actual end of year fund balance.
- The Balance of Fund 0649 as of December 31, 2015 was adjusted to reflect the actual end of year fund balance.

- The Match Bond Debt Service Interest Due Through September 30, 2016 was adjusted.
- The first footnote was revised to address EPA's question on state match funds.
- Six projects were adjusted to reflect the expected funding levels (page 18).
 - New London
 - Madison
 - Pierce City
 - Wellsville
 - Renick
 - MSD – Public I/I Reduction Program - Phase 3B

The changes above result in an increase of the amount available for loans from \$247 million to \$279 million (page 21). The unallocated balance has decreased from \$10,058,793 to \$5,950,156 (page 24).

Recommended Action: Staff recommends the adoption of the Fiscal Year 2017 Clean Water State Revolving Fund Intended Use Plan and Priority List as submitted.

Suggested Motion: I move that the Clean Water Commission approve the Fiscal Year 2017 Clean Water State Revolving Fund Intended Use Plan and Priority List as presented today with an effective date of October 5, 2016.

Attachments:

FY 2017 Clean Water State Revolving Fund Intended Use Plan and Priority List
Staff Responses to Comments
Letter from Carl W. Knuckles, City of Springfield
Email from Paul Calamita, Association of Missouri Cleanwater Agencies
Email from Sabre Germano, U.S. Environmental Protection Agency

**Draft Fiscal Year 2017 Clean Water State Revolving Fund
Response to Comments
9/13/16**

1. **Comment:** City of Springfield letter is attached.

Response: The statement was supportive in nature; as such no response is required.

2. **Comment:** Association of Missouri Cleanwater Agencies. We believe DNR should move now to allow 30 year financing terms for both original loans and appropriate refinancings (both for project components which have a 30 year or greater service life). At a minimum, the IUP should note DNR's pending statewide variance proposal to allow 30 year financing.

Response: The department recommended and the Missouri Clean Water Commission approved a variance on July 13, 2016. The variance gives the department the ability to issue loans with an amortization schedule up to 30 years. The department is developing a policy to implement financing terms beyond 20 years. The department is considering several items for the policy development including:

- What criteria would be used to determine which loans are eligible for terms beyond 20 years;
- The increased amount of interest and fees each community would incur over the extended term of the loan;
- The appropriate interest rate to be charged for a longer term loan;
- The overall financial impact on the SRF program resulting from longer term loans, including the impact of funds available for future loan applicants; and
- Applicants that may want to refinance existing Clean Water State Revolving Fund (CWSRF) loans.

3. **Comment:** Association of Missouri Cleanwater Agencies. We urge DNR to reduce the annual loan fee from 1% to 0.5%, especially for borrowers experiencing high wastewater rate burdens.

Response: Information on the department's use of the loan fees is included on pages 27 and 28 of the Intended Use Plan. Loan fees are used in accordance with federal SRF program guidance. The fees are used to cover many costs including personnel, information technology and equipment and are also utilized by the department for a wide range of water quality related activities. The department is sensitive to the annual fee rate but believes the fee rate is appropriate and necessary to accomplish the department's mission.

4. **Comment:** Association of Missouri Cleanwater Agencies. We support the reallocation of funds within the program to facilitate loans to POTWs to comply with federal and state consent decrees and orders. Many of these communities face

significant financial hardships. Providing some low interest SRF funding is part of an essential State local financial partnership to address these unfunded mandates.

Response: The statement was supportive in nature; as such no response is required.

5. **Comment:** U.S. Environmental Protection Agency (EPA). Financial: p. 17 Sources/Uses Table. Would state match/unexpended state match be included in the final IUP table? Uses would likely need to be adjusted as well.

Response: The state match for the FY2016 capitalization grant was deposited into the Loan Repayment Fund (Fund 0602) on 2/15/15 from the 2015A state match bond sale. Please refer to the spreadsheet titled "State Match Analysis 7 5 16 EPA.xls" sent to Nancy Healy on 7/8/16 which shows \$14,304,483.62 available as state match. \$7,407,800 of this amount will be used as state match for the FY2016 capitalization grant leaving a balance of \$6,896,683.62 available to apply to future capitalization grants. Thus the balance for Fund 0602 already reflects the deposit of the state match, as such the sources and uses do not need to be updated for the state match.

A footnote will be added to the Source and Uses table to note that the state match source is proceeds from the 2015A state match bond sale and these funds have been deposited into Fund 0602.

6. **Comment:** U.S. Environmental Protection Agency (EPA). Programmatic: p. 35 & Appendix 2: Additional Subsidy. In final IUP, we would request that projects selected to receive Ad Sub be referred to and amounts shown in Appendix A.

In addition, for those projects that are to receive 2014 Ad Sub, we request information be included in the final IUP which would indicate whether all or part of Ad Sub will support Sustainability Criteria:

- Projects that focus on system upgrade and replacement in existing communities.
- Investigations, studies or plans that improve technical, managerial, and financial capacity of the assistance recipient to operate, maintain, and replace financed infrastructure.
- Preliminary planning, alternatives assessment, and eligible capital projects that reflect the full life cycle cost of infrastructure assets, conserve natural resources, or use alternative approaches to integrating natural or "green" systems into the built environment.

Response: Regarding the FY2017 Intended Use Plan (IUP), the department on page 34 of Appendix 5 of the IUP indicates that it intends to issue additional subsidy in the form of grants based on affordability. In accordance with the stated policy, the additional subsidization amount is not determined until the applicant is ready to enter into a binding financial commitment. As such the department does not allocate specific grant fund amounts to projects in the IUP.

Regarding the 2014 additional subsidization that shows available in the sources and uses, the department intends to use the affordability criteria (not sustainability criteria) to award grant funds. The department reports on actual grant funds awarded in its annual report and EPA data systems, not in the IUP. Notwithstanding the above, nearly all the projects funded by Missouri's CWSRF would fall under the category of "[p]rojects that that focus on system upgrade and replacement in existing communities".

7. **Comment:** U.S. Environmental Protection Agency (EPA). Programmatic: P.37 FFATA & Single Audit. For clarity, request a brief statement be included here stating that the projects selected will meet both requirements.

Response: The department does not agree with this statement. A project could be a Federal Funding Accountability and Transparency Act (FFATA) project (and equivalency) but yet not be a single audit act project. The department will seek clarification on this issue with EPA.

August 9, 2016

~~DEQ~~ WPP
c: Sara

Ms. Sara Parker Pauley
Director, Missouri Department of Natural Resources
P.O. Box 176
Jefferson City, MO 65102-0176

RE: Intended Use Plan Comments

Dear Ms. Parker Pauley:

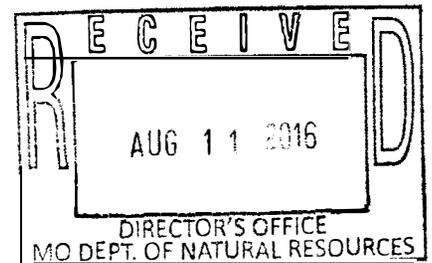
The Environmental Services Department of the City of Springfield, MO supports the Intended Use Plan for FY 2017 and appreciates the favorable consideration given our application for Clean Water State Revolving Funds for FY 2017. The rehabilitation project that this loan will fund will help our Department in its implementation of the Overflow Control Plan that was recently approved. We believe that our Overflow Control Plan represents a smart investment for our citizens and the availability of SRF funding will allow us to maximize our rate payer's investment in the system and make needed improvements.

Again thank you for the consideration given to our loan application and inclusion in the Intended Use Plan.

Respectfully,



Carl W. Knuckles, P.E.



Clean Water Services Division
840 Boonville Avenue • Springfield, Missouri 65802
417-864-1921 • springfieldmo.gov



From: [Schulte, Cari](#) on behalf of [DEQ.WPCP.FAC](#)
To: [Starr, Jeff](#)
Cc: [Crawford, Eric](#)
Subject: FW: FY 2017 Intended Use Plan Comments
Date: Tuesday, July 12, 2016 3:17:35 PM

Comment regarding CW Draft FY17 IUP.

Cari Schulte

Administrative Unit Chief
Financial Assistance Center
Water Protection Program
Missouri Department of Natural Resources
(573) 751-1192 (wk); (573) 751-9396 (fx)

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From: Paul Calamita [mailto:paul@aqualaw.com]
Sent: Sunday, July 03, 2016 9:10 AM
To: DEQ.WPCP.FAC
Cc: Madras, John
Subject: FY 2017 Intended Use Plan Comments

Mr. Starr:

I am writing on behalf of the Association of Missouri Cleanwater Agencies (AMCA). Thank you for the opportunity to comment on the FY 2017 CWSRF Intended Use Plan. We have three comments we ask DNR to consider:

First, we believe DNR should move now to allow 30 year financing terms for both original loans and appropriate refinancings (both for project components which have a 30 year or greater service life). At a minimum, the IUP should note DNR's pending statewide variance proposal to allow 30 year financing.

Second, we urge DNR to reduce the annual loan fee from 1% to 0.5%, especially for borrowers experiencing high wastewater rate burdens.

Third, we support the reallocation of funds within the program to facilitate loans to POTWs to comply with federal and state consent decrees and orders. Many of these communities face significant financial hardships. Providing some low interest SRF funding is part of an essential State-local financial partnership to address these unfunded mandates.

Thank you for considering these comments.

Paul Calamita
General Counsel
AMCA

8/12/16 EPA Programmatic and Financial Comments

Missouri CW 2017 Draft IUP

Financial:

1. p. 17 Sources/Uses Table. Would state match/unexpended state match be included in the final IUP table? Uses would likely need to be adjusted as well.

Programmatic:

2. p. 35 & Appendix 2: Additional Subsidy. In final IUP, we would request that projects selected to receive Ad Sub be referred to and amounts shown in Appendix A.

In addition, for those projects who are to receive 2014 Ad Sub, we request information be included in the final IUP which would indicate whether all or part of Ad Sub will support Sustainability Criteria:

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 - Preliminary planning, alternatives assessment, and eligible capital projects that reflect the full life cycle cost of infrastructure assets, conserve natural resources, or use alternative approaches to integrating natural or “green” systems into the built environment.
3. P.37 FFATA & Single Audit. For clarity, request a brief statement be included here stating that the projects selected will meet both requirements.